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SUBJECT: UNDP BURMA'S ANNUAL ASSESSMENT READOUT

1. (U) SUMMARY: COM and PolOff attended the UNDP,s Annual Assessment Mission debriefing for the diplomatic corps on August 28 to hear observations of, and recommendations for, UNDP,s Burma operations. The assessment team reported that UNDP,s Burma programs have all been properly designed to have the intended grassroots impact and are making a difference, but expressed concerns that programs will face a sustainability challenge in the future. The team also noted there was not the rapid deterioration in rural area living conditions as was reported by the previous year's Assessment Mission. The Assessment Mission's official report will be available after it is presented to the September UNDP Executive Board. END SUMMARY.

2. (U) Over a nine-day period in late August, a UNDP two-person Assessment Mission, Mr. Robert Shaw and Mr. Mirza Shafiquer Rahman, randomly sampled township and village-level UNDP programs in both the Irrawaddy delta region and in eastern Rakhine State. The mission examined the UNDP,s Human Development Initiative ) Level 4 (HDI-4) projects, which entails Integrated Community-Based Development in 2,3000 villages, Community-Based Development in 400 villages, micro credit in 1,700 villages, and HIV/AIDS programs.

3. (U) Regarding the micro credit issue, the Assessment Mission noted that rural Burma suffers a huge demand for rural credit, especially following the 2003 banking crisis. UNOPS executes the program and uses the international NGOs "PACT" in central Burma and "GRET" in Shan Sate, and a subcontracted Indian company in the Delta region. Village money lenders charge 125 percent interest on average, but are able to stay in business because the farmers no longer have access to government subsidized fertilizer and must borrow to buy commercial fertilizer. Even at such high interest rates, there is still a market for money lending since farmers have limited or no access to credit.

4. (U) According to UNDP briefers, the January 2003 UNDP executive board meeting had discussed the possibility of enabling micro credit programs in Burma to achieve sustainability by becoming a legal entity. However, the board decided that it isn't appropriate for UNDP to work with the GOB on this, leaving current UNDP micro credit intervention programs as the only option. The Assessment Mission noted during their debriefing that the micro credit program is not sustainable if UNDP can't institutionalize it by making it a legal entity in Burma. Stressing that there is a huge demand from the rural areas for more credit, but when the UNDP funding ends, there will be no more program.

5. (U) The Assessment Mission also mentioned what they saw as problem areas: Ongoing UNDP program monitoring and evaluation can be improved, micro financing is undercapitalized, and the Burmese agricultural sector needs to be reviewed. Shaw went on to identify what he termed strategic challenges: policy dialogue with the GOB, program sustainability, eventual institutionalization of programs, and future directions for UNDP in Burma.

6. (U) UNDP Resident Representative Charles Petrie, who arrived in Burma to take up duties in July, closed the debriefing by saying that he is undertaking a few changes to improve the UNDP programs in Burma, including more fully using the Analysis and Planning Unit, focusing on replicating programs in neighboring townships and villages, and promoting partnership between the UN agencies and international NGOs in Burma, which UNDP will push with a November Community Based Initiative workshop for international NGOs. He has also directed his staff to conduct a living conditions survey as well as an agricultural survey that the Assessment Mission had recommended.

7. (SBU) The Assessment Mission leader concluded that there was not a rapid deterioration in rural area living conditions as had been reported by last year's Assessment Mission. UNDP Burma's senior staff confided to PolOff that last year, the Assessment Mission had focused on a township in the Irrawaddy delta ) where the townships villages had been hit by serious floods, followed by pestilence, and forced labor levies from the local battalion commander during the harvest season. The triple punch was disastrous for the villagers and thus skewed that Assessment Mission's country-wide conclusions.

8. (U) According to the Assessment Mission, their conclusions

will be available on the UNDP web site in November or December and will be represented at the next UNDP Board meeting in the middle of September.

Martinez